

**REPORT OF THE AUDIT OF THE
BRECKINRIDGE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BRECKINRIDGE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Breckinridge County Fiscal Court audit for the fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$269,630 from the prior fiscal year, resulting in a cash surplus of \$712,635 as of June 30, 2001.

Debt Obligations:

Capital lease principal agreements totaled \$5,869,490 as of June 30, 2001. Future principal and interest payments of \$10,591,011 are needed to meet these obligations.

Report Comment:

- Receipts Should Be Deposited On A Daily Basis

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Thomas P. Moorman, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Breckinridge County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Breckinridge County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Breckinridge County Housing Authority. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Breckinridge County Housing Authority, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Breckinridge County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Breckinridge County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Thomas P. Moorman, Breckinridge County Judge/Executive
Members of the Breckinridge County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2002 on our consideration of Breckinridge County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Breckinridge County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Receipts Should Be Deposited On A Daily Basis

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 7, 2002

BRECKINRIDGE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

| | |
|-------------------|------------------------|
| Thomas P. Moorman | County Judge/Executive |
| James Henning | Magistrate |
| David Newby | Magistrate |
| Tommy Compton | Magistrate |
| Billy Johnson | Magistrate |
| Billy Robinson | Magistrate |
| Junior Tucker | Magistrate |

Other Elected Officials:

| | |
|-------------------|----------------------------------|
| Bruce T. Butler | County Attorney |
| Louis D. Carmen | Jailer |
| Charles A. Wilson | County Clerk |
| Connie Brumfield | Circuit Court Clerk |
| Bobby D. Kennedy | Sheriff |
| Kenneth Barger | Property Valuation Administrator |
| Robert Rhodes | Coroner |

Appointed Personnel:

| | |
|----------------|------------------|
| Randi K. Flood | County Treasurer |
| Lisa Hoskins | Finance Officer |

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BRECKINRIDGE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

| | | |
|--|---------------|------------|
| Cash | \$ 659,680 | |
| Road and Bridge Fund: | | |
| Cash | 17,389 | |
| Jail Fund: | | |
| Cash | 5,190 | |
| Local Government Economic Assistance Fund: | | |
| Cash | 23,867 | |
| Payroll Revolving Account - Cash | <u>27,823</u> | \$ 733,949 |

Capital Projects Fund Type

Jail Construction Fund:

| | |
|------|-------|
| Cash | 6,509 |
|------|-------|

Other Resources

General Fund Type

General Fund:

| | |
|---|---------------------|
| Amounts to be Provided in Future Years for Lease Obligations- | |
| Courthouse Renovation Principal Payments | 181,000 |
| Voting Machine Principal Payments | 8,000 |
| Radio Principal Payments | 7,490 |
| Road and Bridge Fund: | |
| Amounts to be Provided in Future Years for Lease Obligation- | |
| Road Equipment Principal Payments | 173,000 |
| Jail Fund: | |
| Amounts to be Provided in Future Years for Lease Obligation- | |
| Detention Center Principal Payments | <u>5,500,000</u> |
| Total Assets and Other Resources | <u>\$ 6,609,948</u> |

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

| | | | |
|-----------------------------------|----|---------------|--------------|
| Lease Principal Payments (Note 4) | \$ | 196,490 | |
| Road and Bridge Fund: | | | |
| Lease Principal Payments (Note 4) | | 173,000 | |
| Jail Fund: | | | |
| Lease Principal Payments (Note 4) | | 5,500,000 | |
| Payroll Revolving Account | | <u>27,823</u> | \$ 5,897,313 |

Fund Balances

Reserved:

Capital Projects Fund Type

| | | |
|------------------------|--|-------|
| Jail Construction Fund | | 6,509 |
|------------------------|--|-------|

Unreserved:

General Fund Type

| | | | |
|---|----|---------------|---------------------|
| General Fund | \$ | 659,680 | |
| Road and Bridge Fund | | 17,389 | |
| Jail Fund | | 5,190 | |
| Local Government Economic Assistance Fund | | <u>23,867</u> | <u>706,126</u> |
| Total Liabilities and Fund Balances | | | <u>\$ 6,609,948</u> |

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BRECKINRIDGE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

| | General Fund Type | | | |
|---|--------------------------------|---------------------|----------------------------|---------------------|
| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
| <u>Cash Receipts</u> | | | | |
| Schedule of Operating Revenue | \$ 5,457,590 | \$ 2,469,757 | \$ 1,506,452 | \$ 1,453,752 |
| Transfers In | 230,000 | | 20,000 | 210,000 |
| Kentucky Advance Revenue Program | 1,973,700 | 1,818,900 | 154,800 | |
| Total Cash Receipts | <u>\$ 7,661,290</u> | <u>\$ 4,288,657</u> | <u>\$ 1,681,252</u> | <u>\$ 1,663,752</u> |
| <u>Cash Disbursements</u> | | | | |
| Comparative Schedule of Final Budget and Budgeted Expenditures | \$ 4,577,324 | \$ 1,340,324 | \$ 1,494,149 | \$ 1,630,071 |
| Transfers Out | 230,000 | 230,000 | | |
| Kentucky Association of Counties Leasing Trust Principal Payments- | | | | |
| Courthouse Renovation | 11,000 | 11,000 | | |
| Jail Lease | 443,169 | 407,183 | | 35,986 |
| Lease Principal Payments- | | | | |
| Voting Machines | 8,000 | 8,000 | | |
| Radios | 3,709 | 3,709 | | |
| Road Garage | 21,000 | | 21,000 | |
| Road Equipment | 81,000 | | 81,000 | |
| Jail Van | 42,758 | 33,952 | | 8,806 |
| Kentucky Advance Revenue Program Repaid | 1,973,700 | 1,818,900 | 154,800 | |
| Total Cash Disbursements | <u>\$ 7,391,660</u> | <u>\$ 3,853,068</u> | <u>\$ 1,750,949</u> | <u>\$ 1,674,863</u> |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | \$ 269,630 | \$ 435,589 | \$ (69,697) | \$ (11,111) |
| Cash Balance - July 1, 2000 | 443,005 | 224,091 | 87,086 | 16,301 |
| Cash Balance - June 30, 2001 | <u>\$ 712,635</u> | <u>\$ 659,680</u> | <u>\$ 17,389</u> | <u>\$ 5,190</u> |

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

| General Fund Type | Capital Projects Fund Type |
|---|-------------------------------|
| Local Government Economic Assistance Fund | Jail Construction Fund |
| \$ 26,254 | \$ 1,375 |
| <u>\$ 26,254</u> | <u>\$ 1,375</u> |
| | |
| \$ 18,638 | \$ 94,142 |
| | |
| <u>\$ 18,638</u> | <u>\$ 94,142</u> |
| | |
| \$ 7,616 | \$ (92,767) |
| 16,251 | 99,276 |
| <u>\$ 23,867</u> | <u>\$ 6,509</u> |

The accompanying notes are an integral part of the financial statements.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Breckinridge County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Breckinridge County Housing Authority as part of the reporting entity.

The Breckinridge County Housing Authority is financially accountable to the Fiscal Court because Fiscal Court serves as the Board of Directors of the Housing Authority. This would allow the court to impose its will on the Housing Authority. A copy of the audit report for fiscal year ending June 30, 2002 is discretely presented in Appendix B.

Additional - Breckinridge County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Breckinridge County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Breckinridge County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Breckinridge County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Section Eight Housing Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Breckinridge County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note. 4. Long-Term Debt

Breckinridge County entered into a lease with the Kentucky Association of Counties on January 6, 1994 for renovations to the courthouse. The lease principal of \$250,000 was for courthouse renovation. The lease terms specify yearly principal payments and monthly interest payments at 4.621 percent. As of June 30, 2001, the outstanding principal balance was \$181,000. These payments are made from the General Fund.

| <u>Fiscal Year Ending</u> | <u>Interest</u> | <u>Principal</u> |
|-------------------------------|------------------|-------------------|
| June 30, 2002 | \$ 8,043 | \$ 12,000 |
| June 30, 2003 | 7,495 | 12,000 |
| June 30, 2004 | 6,927 | 13,000 |
| June 30, 2005 | 6,333 | 13,000 |
| June 30, 2006 | 5,720 | 14,000 |
| June 30, 2007 - June 30, 2011 | 18,173 | 80,000 |
| June 30, 2012 - June 30, 2013 | 1,855 | 37,000 |
| Totals | <u>\$ 54,546</u> | <u>\$ 181,000</u> |

The county has entered into the following lease agreements to be paid from the General Fund.

| <u>Description</u> | <u>Fiscal Year Ending</u> | <u>Interest</u> | <u>Principal</u> |
|--------------------|-------------------------------|-----------------|------------------|
| Voting Machines | June 30, 2002 | <u>\$ 233</u> | <u>\$ 8,000</u> |
| Radios | June 30, 2002 | \$ 260 | \$ 3,878 |
| | June 30, 2003 | <u>70</u> | <u>3,612</u> |
| Totals | | <u>\$ 330</u> | <u>\$ 7,490</u> |

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note. 4. Long-Term Debt (Continued)

The county has entered into the following lease agreement to be paid from the Road and Bridge Fund.

| Description | Fiscal Year Ending | Interest | Principal |
|----------------|-----------------------|-----------------|-------------------|
| Road Equipment | June 30, 2002 | \$ 5,363 | \$ 85,000 |
| | June 30, 2003 | 2,514 | 88,000 |
| Totals | | <u>\$ 7,877</u> | <u>\$ 173,000</u> |

Breckinridge County entered into a capital lease with the Kentucky Association of Counties on February 26, 1998 for a detention center. The lease principal of \$5,300,000 was for the construction of the Breckinridge County Detention Facility. The lease terms specify 20 annual payments and monthly interest payments at an effective interest rate of 5.64 percent. On January 31, 2000, the lease was refinanced in the amount of \$5,500,000. The lease terms specify 21 annual payments and monthly interest payments at an interest rate of 5.3 percent. As of June 30, 2001, the outstanding principal balance was \$5,500,000. The schedule of yearly principal and interest payments is as follows:

| Fiscal Year Ending | Interest | Principal |
|-------------------------------|---------------------|---------------------|
| June 30, 2002 | \$ 327,013 | \$ 120,000 |
| June 30, 2003 | 319,343 | 127,000 |
| June 30, 2004 | 311,304 | 133,000 |
| June 30, 2005 | 302,846 | 140,000 |
| June 30, 2006 | 293,963 | 147,000 |
| June 30, 2007 - June 30, 2011 | 1,319,078 | 861,000 |
| June 30, 2012 - June 30, 2016 | 1,015,525 | 1,109,000 |
| June 30, 2017 - June 30, 2021 | 624,299 | 1,429,000 |
| June 30, 2022 - June 30, 2025 | 145,164 | 1,434,000 |
| Totals | <u>\$ 4,658,535</u> | <u>\$ 5,500,000</u> |

Note 5. Insurance

For the fiscal year ended June 30, 2001, Breckinridge County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BRECKINRIDGE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During the fiscal year ended June 30, 2001, the Breckinridge County Jail Canteen received \$135,685 and expended \$126,251. The Jail Canteen reported June 30, 2000 and 2001 ending balances of \$19,329 and \$28,763 respectively.

Note 7. Related Party Transaction

During fiscal year ended June 30, 2001, the fiscal court made expenditures to an auto parts store owned by the County Treasurer's father. The total of the expenditures to the auto parts store was \$13,159. These transactions do not appear to be in violation of the county's code of ethics.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

| <u>Budgeted Funds</u> | <u>Budgeted Operating Revenue</u> | <u>Actual Operating Revenue</u> | <u>Over (Under) Budget</u> |
|--|---|---|------------------------------------|
| <u>General Fund Type</u> | | | |
| General Fund | \$ 2,586,558 | \$ 2,469,757 | \$ (116,801) |
| Road and Bridge Fund | 1,539,000 | 1,506,452 | (32,548) |
| Jail Fund | 1,896,823 | 1,453,752 | (443,071) |
| Local Government Economic Assistance Fund | 28,000 | 26,254 | (1,746) |
| <u>Special Revenue Fund Type</u> | | | |
| Section 8 Housing Fund | <u>700,000</u> | | <u>(700,000)</u> |
| Totals | <u>\$ 6,750,381</u> | <u>\$ 5,456,215</u> | <u>\$ (1,294,166)</u> |
| <u>Reconciliation</u> | | | |
| Total Budgeted Operating Revenue Above | | | \$ 6,750,381 |
| Add: Budgeted Prior Year Surplus | | | 448,399 |
| Add: Budgeted Borrowed Money | | | 1,973,700 |
| Less: Budgeted Other Financing Uses | | | <u>(3,000,254)</u> |
| Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures | | | <u>\$ 6,172,226</u> |

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SCHEDULE OF OPERATING REVENUE

BRECKINRIDGE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

| Revenue Categories | GOVERNMENTAL FUND TYPES | | |
|----------------------------|--------------------------------|----------------------|----------------------------------|
| | Totals (Memorandum Only) | General Fund Type | Capital Projects Fund Type |
| Taxes | \$ 1,357,669 | \$ 1,357,669 | \$ |
| In Lieu Tax Payments | 9,180 | 9,180 | |
| Excess Fees | 52,540 | 52,540 | |
| Licenses and Permits | 4,802 | 4,802 | |
| Intergovernmental Revenues | 3,851,263 | 3,851,263 | |
| Charges for Services | 23,489 | 23,489 | |
| Miscellaneous Revenues | 109,296 | 109,296 | |
| Interest Earned | 49,351 | 47,976 | 1,375 |
| Total Operating Revenue | <u>\$ 5,457,590</u> | <u>\$ 5,456,215</u> | <u>\$ 1,375</u> |

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BRECKINRIDGE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

| Expenditure Categories | GENERAL FUND TYPE | | |
|--|-------------------|--------------------------|---------------------------|
| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
| General Government | \$ 392,730 | \$ 386,034 | \$ 6,696 |
| Protection to Persons and Property | 1,855,100 | 1,541,235 | 313,865 |
| General Health and Sanitation | 16,869 | 16,869 | |
| Social Services | 49,747 | 35,734 | 14,013 |
| Recreation and Culture | 27,142 | 20,840 | 6,302 |
| Roads | 1,175,803 | 1,162,853 | 12,950 |
| Bus Services | 32,000 | 32,000 | |
| Debt Service | 313,848 | 311,868 | 1,980 |
| Capital Projects | 797,941 | 291,079 | 506,862 |
| Administration | 692,546 | 684,670 | 7,876 |
| Total Operating Budget - General Fund Type | \$ 5,353,726 | \$ 4,483,182 | \$ 870,544 |
| Other Financing Uses: | | | |
| Kentucky Association of Counties | | | |
| Lease Trust Principal Payments- | | | |
| Jail Lease | 859,087 | 443,169 | 415,918 |
| Courthouse Renovation | 11,000 | 11,000 | |
| Lease Principal Payments- | | | |
| Voting Machines | 8,000 | 8,000 | |
| Radios | 3,709 | 3,709 | |
| Road Garage | 21,000 | 21,000 | |
| Road Equipment | 81,000 | 81,000 | |
| Jail Van | 42,758 | 42,758 | |
| Kentucky Advanced Revenue Program - Principal | 1,973,700 | 1,973,700 | |
| TOTAL BUDGET - GENERAL FUND TYPE | \$ 8,353,980 | \$ 7,067,518 | \$ 1,286,462 |

BRECKINRIDGE COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

| Expenditure Categories | SPECIAL REVENUE FUND TYPE | | |
|------------------------|---------------------------|--------------------------|---------------------------|
| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
| Section 8 Housing | \$ 700,000 | \$ | \$ 700,000 |

| Expenditure Categories | CAPITAL PROJECTS FUND TYPE | | |
|------------------------|----------------------------|--------------------------|---------------------------|
| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
| Capital Projects | \$ 118,500 | \$ 94,142 | \$ 24,358 |

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Thomas P. Moorman, Breckinridge County Judge/Executive

Members of the Breckinridge County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Breckinridge County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 7, 2002. We did not audit the financial statements of the Breckinridge County Housing Authority. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Breckinridge County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying comment and recommendation section.

- Receipts Should Be Deposited On A Daily Basis

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Breckinridge County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Breckinridge County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation section.

- Receipts Should Be Deposited On A Daily Basis

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 7, 2002

COMMENT AND RECOMMENDATION

BRECKINRIDGE COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2001

REPORTABLE CONDITION AND NONCOMPLIANCE

Receipts Should Be Deposited On A Daily Basis

The County Treasurer did not deposit receipts on a daily basis. Based on our tests of the County's receipts, we noted abnormal delays (in excess of three business days) between the date of receipt and the date of deposit, with some receipts being held for as long as a month prior to deposit in the County's bank accounts. The State Local Finance Officer, under the authority of KRS 68.210, established minimum accounting requirements, which include depositing receipts on a daily basis. We recommend these procedures be followed at all times.

County Judge/Executive Thomas P. Moorman's Response:

This has now been corrected. The deposit process during receipt of the Insurance Premium Tax was extremely time-consuming and was forced to wait until free time was available for completion.

PRIOR YEAR FINDINGS

- The County Should Follow Proper Emergency Procurement Procedures
- The Fiscal Court Should Pay Claims Within Thirty Days
- The Fiscal Court Should Approve Expenditures Before Payment Is Made
- The County Treasurer's Annual Settlement Should Be Published
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral \$140,109 And Enter Into A Written Agreement To Protect Deposits

These findings were corrected as of June 30, 2001.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

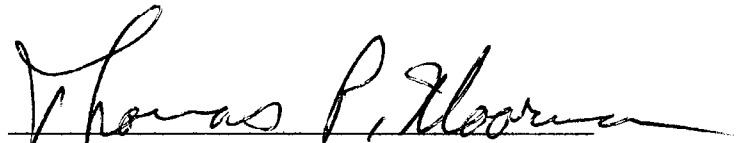
BRECKINRIDGE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

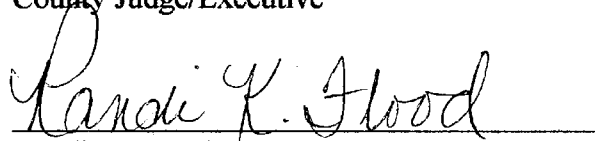
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BRECKINRIDGE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Breckinridge County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, reading "Thomas P. Moorman", written over a horizontal line.

Thomas P. Moorman
County Judge/Executive

A handwritten signature in cursive script, reading "Randi K. Flood", written over a horizontal line.

Randi K. Flood
County Treasurer

AUDIT REPORT OF THE BRECKINRIDGE COUNTY HOUSING AUTHORITY

BRECKINRIDGE COUNTY HOUSING AUTHORITY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> | 10 |
| Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 11 |
| Schedule of Findings and Questioned Costs | 13 |

August 30, 2001

INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Breckinridge County Housing Authority

We have audited the accompanying financial statements of the Breckinridge County Housing Authority as of and for the year ended June 30, 2001. These financial statements are the responsibility of the Breckinridge County Housing Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Public and Indian Housing Compliance Supplement* PIH 96-32 dated May 29, 1996 as modified by PIH 97-30 dated June 19, 1997 issued by the U.S. Department of Housing and Urban Development. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund equity of the Breckinridge County Housing Authority as of June 30, 2001 and the results of its operations and changes in fund equity for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2001 on our consideration of the Breckinridge County Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Breckinridge County Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stephens & Lawson, PSC

BRECKINRIDGE COUNTY HOUSING AUTHORITY
COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

ASSETS

| | | |
|---------------------------|--------------|--------------------------|
| Current Assets | | |
| Cash and Cash Equivalents | \$ 120,034 | |
| Investments | <u>8,309</u> | |
| Total Current Assets | | \$ 128,343 |
| Property and Equipment | | |
| Capital Assets (net) | | <u>7,243</u> |
| TOTAL ASSETS | | <u>\$ 135,586</u> |

LIABILITIES AND FUND EQUITY

| | | |
|--|-------------------|--------------------------|
| Current Liabilities | | |
| Intergovernmental Payable | <u>\$ 156,578</u> | |
| Total Current Liabilities | | \$ 156,578 |
| Fund Equity | | |
| Contributed Capital | 20,018 | |
| Unreserved Fund Equity | <u>(41,010)</u> | |
| Total Fund Equity | | <u>(20,992)</u> |
| TOTAL LIABILITIES AND FUND EQUITY | | <u>\$ 135,586</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**BRECKINRIDGE COUNTY HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

REVENUES

| | | |
|--------------------------|------------|---------|
| Program Grants/Subsidies | \$ 588,226 | |
| Interest Income | 3,341 | |
| Total Revenues | | 591,567 |

EXPENSES

| | | |
|-----------------------------|---------|---------|
| Administrative | 89,605 | |
| Housing Assistance Payments | 517,232 | |
| Depreciation | 3,497 | |
| Total Expenses | | 610,334 |

| | | |
|--------------------------------------|--|--------------------|
| Deficiency of Revenues over Expenses | | <u>\$ (18,767)</u> |
|--------------------------------------|--|--------------------|

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

BRECKINRIDGE COUNTY HOUSING AUTHORITY
CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2001

| | | |
|--|----------------|---------------------------|
| Fund Equity - Beginning of Period | | \$ 39,632 |
| Deficiency of Revenues over Expenses | \$ (18,767) | |
| Depreciation Add Back | <u>3,497</u> | |
| Deficiency of Revenues over Expenses after Depreciation Add Back | | (15,270) |
| Other Fund Equity Changes: | | |
| Prior Period Adjustment | 1,344 | |
| Reduction in Contributed Capital for Excess Payments from HUD | (43,201) | |
| Depreciation on Grant Assets | <u>(3,497)</u> | |
| Total Other Fund Equity Changes | | <u>(45,354)</u> |
| Fund Equity - End of Period | | <u><u>\$ (20,992)</u></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - ORGANIZATION

The Breckinridge County Housing Authority (the Authority) is chartered as a public corporation for the purpose of administering housing program for low income families. The section eight (rental assistance program voucher and certificate) had 210 units in operation at June 30, 2001.

The U.S. Department of Housing and Urban Development (HUD) has a direct responsibility for administering housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority to make annual contributions (subsidies) for the purpose of funding its programs for low-income families.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Authority is a public corporation legally separate and fiscally independent. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of all the programs and funds under the control and administration of the Authority. The Authority is solely responsible for its deficits, surplus funds, and other fiscal matters, therefore, the Authority is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Reporting Standards*.

Basis of Accounting

The Authority presents its financial statements on the accrual basis of accounting as provided for under *Government Auditing Standards*.

The accounts of the Authority are organized on the basis of funds or account groups, each of which is considered to be a separate fiscal and accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, fund equity, revenue, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions. The Authority receives all of its funding from the Department of Housing and Urban Development in the form of Section 8 housing payments; therefore, the sole fund of the Authority is Section 8 housing.

Capital Assets

Capital assets are stated at historical cost if purchased and estimated fair market value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater.

Expenditures for maintenance and repairs are charged to income as incurred, whereas betterments and improvements are capitalized and depreciated over their estimated useful lives. When an asset is retired or otherwise disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the calculation of the increase or decrease in fund equity.

Cash and Cash Equivalents

The Authority considers all cash in bank and highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Authority is exempt from federal income taxes under Section 501c of the Internal Revenue Code.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the classifications and reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

NOTE 3 - DEPOSITS

The Authority maintains its deposits with local financial institutions. Those deposits are categorized to give an indication of the level of risk assumed by the Authority at the end of the year. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Authority or its agent in the Authority's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk at June 30, 2001 are as follows

| | Bank Balance | 1 | Category 2 | 3 | Carrying Amount |
|---------------------------|-------------------|-------------------|---------------|------------------|--------------------|
| Cash and Cash Equivalents | \$ 121,402 | \$ 100,000 | \$ - | \$ 21,402 | \$ 120,034 |
| Investments | 8,309 | - | - | 8,309 | 8,309 |
| Total Deposits | <u>\$ 129,711</u> | <u>\$ 100,000</u> | <u>\$ -</u> | <u>\$ 29,711</u> | <u>\$ 128,343</u> |

NOTE 4 - INVESTMENTS

The Authority has invested certain funds in the form of certificates of deposit with local financial institutions. These certificates do not meet criteria stated in Note 2 to be considered cash and cash equivalents. Both certificates are stated at fair market value, which is the same as their cost, as of June 30, 2001. Since these investments are maintained at the same financial institution as the Authority's checking account, they are included in the calculation of the risk assumed by the Authority in Note 3.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2001:

| | |
|-------------------------------|------------------------|
| Furniture and Equipment | \$ 48,229 |
| Leasehold Improvements | 1 |
| Less Accumulated Depreciation | <u>(40,987)</u> |
| Capital Assets (net) | <u><u>\$ 7,243</u></u> |

Depreciation in the amount of \$ 3,497 was expensed in the fiscal year ending June 30, 2001.

NOTE - 6 PENSION PLAN

The Authority's payroll is processed by the Breckinridge County Fiscal Court and the Authority's employees have the option of participating in the County Employee Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

NOTE 7 - INTERGOVERNMENTAL PAYABLE

The Intergovernmental Payable consists of excess payments received from the Department of Housing and Urban Development.

NOTE 8 - CONTINGENCIES

The Authority is subject to examination by federal regulators who determine compliance with the terms of the grant. These examinations could result in the Authority being required to refund funds to the grantor and/or program beneficiaries. At the time of the audit report, no such examination was in progress.

NOTE 9 - ECONOMIC DEPENDENCY

The Authority receives all of its funding from the Department of Housing and Urban Development.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Fund equity was increased by \$1,344 as a result of a prior period adjustment. The adjustment was the result of the failure to record interest on the Authority's investments (certificates of deposit) in prior years.

**BRECKINRIDGE COUNTY HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

| <u>Federal Grantor</u> | <u>Federal C.F.D.A. Number</u> | <u>Expenditures</u> |
|---|--|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | |
| Direct Programs: | | |
| Section Eight Vouchers and Certificates | 14.871 | <u>603,496</u> |
| Total Expenditures of Federal Awards | | <u>\$ 603,496</u> |

See the accompanying notes to the schedule of expenditures of federal awards.

BRECKINRIDGE COUNTY HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Breckinridge County Housing Authority and is presented on the accrual basis of accounting.

August 30, 2001

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board
Breckinridge County Housing Authority

We have audited the financial statements of the Breckinridge County Housing Authority as of and for the year ended June 30, 2001, and have issued our report thereon dated August 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the *Public and Indian Housing Compliance Supplement* PIH 96-32 dated May 29, 1996 as modified by PIH 97-30 dated June 29, 1997 issued by the U.S. Department of Housing and Urban Development.

Compliance

As part of obtaining reasonable assurance about whether the Breckinridge County Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Breckinridge County Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Stephens & Lawson, PSC

August 30, 2001

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Members of the Board
Breckinridge County Housing Authority

We have audited the compliance of the Breckinridge County Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Breckinridge County Housing Authority's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Breckinridge County Housing Authority's management. Our responsibility is to express an opinion on the Breckinridge County Housing Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-111, *Audit of States, Local Government and Non-Profit Organizations* and the *Public and Indian Housing Compliance Supplement* PIH 96-32 dated May 29, 1996 as modified by PIH 97-30 dated June 29, 1997 issued by the U.S. Department of Housing and Urban Development. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An Audit includes examining, on a test basis, evidence about the Breckinridge County Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Breckinridge County compliance with those requirements.

In our opinion, the Breckinridge County Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the Breckinridge County Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Breckinridge County Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material.

This report is intended solely for the information of the board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Stephens & Lawson, PSC

**BRECKINRIDGE COUNTY HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001**

SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the Breckinridge County Housing Authority.
2. No reportable conditions disclosed during the audit of the financial statements are reported in this schedule.
3. No instances of noncompliance material to the financial statements of the Breckinridge County Housing Authority were disclosed during the audit.
4. No reportable conditions disclosed during the audit of the major federal awards programs are reported in this schedule.
5. The auditor's report on compliance for the audit of the major federal award programs for the Breckinridge County Housing Authority expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for the Breckinridge County Housing Authority are reported in the Schedule of Findings and Questioned Costs.
7. The program tested as a major program was U.S. Department of Housing and Urban Development, Section 8 Housing Vouchers and Certificates Program, CFDA #14.871.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Breckinridge County Housing Authority was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

PRIOR YEAR AUDIT COMMENTS

None

